



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
METCALFE COUNTY  
SHERIFF'S SETTLEMENT - 1999 TAXES**

**April 27, 2000**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**  
**METCALFE COUNTY**  
**RONDAL SHIRLEY, SHERIFF**  
**SHERIFF'S TAX SETTLEMENT – 1999 TAXES**

**Audit Opinion:**

We have issued an unqualified opinion in our independent auditor's report. Our report contains the following comment or recommendation:

- The Sheriff Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$130,103 To Protect Deposits

**Management Changes:**

During our audit period the Metcalfe County Sheriff's bookkeeper had to take a medical leave from August 1999 until May 2000. During this time the sheriff's office employed two other bookkeepers. This resulted in some problems with the computer reports. However, these were corrected by the bookkeeper upon his return.

**Financial Statements:**

For tax year 1999 the Cumberland County Sheriff had tax receipts of \$1,728,972 and distributed \$1,658,132 to the State, County and other Taxing Districts. Assets and receivables due the Sheriff's tax account as of our audit date was \$1,775 and liabilities to be paid were \$1,775.



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## Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable Don Butler II, Metcalfe County Judge/Executive  
Honorable Rondal Shirley, Metcalfe County Sheriff  
Members of the Metcalfe County Fiscal Court

### Independent Auditor's Report

We have audited the Metcalfe County Sheriff's Settlement - 1999 Taxes as of April 27, 2000. This tax settlement is the responsibility of the Metcalfe County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted Government Auditing Standards and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Metcalfe County Sheriff's taxes charged, credited, and paid as of April 27, 2000, in conformity with the basis of accounting described in the preceding paragraph.

Based on the results of our audit, we present the comment and recommendation, included herein, which discusses the following area of noncompliance.

- The Sheriff Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$130,103 To Protect Deposits





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Members of the Metcalfe County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated August 7, 2000, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
August 7, 2000

METCALFE COUNTY  
 RONDAL SHIRLEY, SHERIFF  
SHERIFF'S SETTLEMENT - 1999 TAXES

April 27, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 111,745	\$ 257,014	\$ 694,683	\$ 275,638
Tangible Personal Property	9,524	20,271	59,368	102,190
Intangible Personal Property				8,866
Fire Protection	1,541			
Franchise Corporation	22,496	46,945	140,736	
Limestone, Sand and Gravel	20	46	124	49
Oil and Gas Properties	36	83	223	89
Bank Franchise	17,835			
Increased Through Erroneous Assessments				250
Penalties	1,370	3,109	8,409	3,321
Adjusted to Sheriff's Receipt	(67)	(120)	(361)	(166)
Gross Chargeable to Sheriff	<u>\$ 164,500</u>	<u>\$ 327,348</u>	<u>\$ 903,182</u>	<u>\$ 390,237</u>
<u>Credits</u>				
Discounts	\$ 1,590	\$ 3,586	\$ 9,774	\$ 5,574
Exonerations	555	1,265	3,067	1,573
Delinquents:				
Real Estate	2,400	5,519	14,917	5,919
Tangible Personal Property	31	65	191	56
Intangible Personal Property				213
Total Credits	<u>\$ 4,576</u>	<u>\$ 10,435</u>	<u>\$ 27,949</u>	<u>\$ 13,335</u>
Net Tax Yield	\$ 159,924	\$ 316,913	\$ 875,233	\$ 376,902
Less: Commissions *	<u>7,084</u>	<u>13,123</u>	<u>35,009</u>	<u>16,306</u>
Net Taxes Due	\$ 152,840	\$ 303,790	\$ 840,224	\$ 360,596
Taxes Paid	153,147	303,823	840,819	360,342
Refunds (Current and Prior Year)	<u>50</u>	<u>107</u>	<u>314</u>	<u>262</u>
(Refunds Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ (357)</u>	<u>\$ (140)</u>	<u>\$ (909)</u>	<u>\$ (8)</u>

\* and \*\* See Page 4

METCALFE COUNTY  
RONDAL SHIRLEY, SHERIFF  
SHERIFF'S SETTLEMENT - 1999 TAXES  
April 27, 2000  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	705,294
4% on	\$	1,013,677

\*\* Special Taxing Districts:

Library District	\$	(42)
Extension District		(64)
Soil Conservation District		(25)
Ambulance District		<u>(9)</u>

(Refunds Due Sheriff)	\$	<u><u>(140)</u></u>
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The accompanying notes are an integral part of the financial statement.

METCALFE COUNTY  
NOTES TO FINANCIAL STATEMENT

April 27, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of December 9, 1999, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$130,103 of public funds uninsured and unsecured.

METCALFE COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 April 27, 2000  
 (Continued)

Note 2. Deposits (Continued)

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of December 9, 1999.

	<u>Bank Balance</u>
Collateralized with securities held by the county official's agent in the county official's name	\$ 800,000
Uncollateralized and uninsured	<u>130,103</u>
Total	<u>\$ 930,103</u>

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1999. Property taxes were billed to finance governmental services for the year ended June 30, 2000. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 25, 1999 through April 27, 2000.

Note 4. Interest Income

The Metcalfe County Sheriff earned \$2,385 as interest income on 1999 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

## COMMENT AND RECOMMENDATION



METCALFE COUNTY  
RONDAL SHIRLEY, SHERIFF  
COMMENT AND RECOMMENDATION

April 27, 2000

The Sheriff Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$130,103 To Protect Deposits

On December 9, 1999, \$130,103 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

*Sheriff's Response:*

*Banking institution will raise at next board meeting on August 8, 2000.*



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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Honorable Don Butler II, Metcalfe County Judge/Executive  
Honorable Rondal Shirley, Metcalfe County Sheriff  
Members of the Metcalfe County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Metcalfe County Sheriff's Settlement - 1999 Taxes as of April 27, 2000, and have issued our report thereon dated August 7, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Metcalfe County Sheriff's Settlement - 1999 Taxes as of April 27, 2000 is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Metcalfe County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Don Butler II, Metcalfe County Judge/Executive  
Honorable Rondal Shirley, Metcalfe County Sheriff  
Members of the Metcalfe County Fiscal Court  
Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

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Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
August 7, 2000

